U.S. Department of State
FY 2000 Country Commercial Guide: Oman

The Country Commercial Guides for Oman was prepared by U.S. Embassy Muscat and released by the Bureau of Economic and Business in July 1999 for Fiscal Year 2000.

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Oman's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. CCGs are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

The Sultanate of Oman is a small nation of 2.3 million people (including as many as 600,000 expatriates) living in the arid mountains and desert plains of the southeastern Arabian Peninsula. The country controls sea lanes through the strategic Strait of Hormuz into the Gulf, and nearly 40% of the world's oil passes through Omani-controlled waters. Although Oman is a relatively small oil producer, oil revenue drives the economy and accounted for 69% of government expenditures and 30% of GDP in 1998. Oman's oil resources, however, are projected to last 20 to 25 years at current reserve estimates and production rates. The government has recognized the need to reduce dependency on oil and made diversification of the economy a policy priority; so far, these efforts have focused mostly on development of Oman's potential as a gas exporter and base for gas-based industries. In 1998, per capita GDP in Oman was $6,163, down from $6,842 in 1997, a decrease due to lower average oil prices in 1998. Oman's GDP growth in 1998 fell by 10.2%, also a direct result of declining world oil prices, which brought about a 29% drop in 1998 oil revenue.

In 1833, the U.S. and Oman concluded a Treaty of Friendship and Navigation; a Treaty of Amity, Economic Relations and Consular Rights was signed in 1958. Bilateral trade, however, only became significant in the 1970's when Oman's oil revenues fueled a drive for modernization which continues today. U.S. exports to Oman have grown substantially in recent years, and the U.S. now ranks as the fourth-largest exporting country to Oman, with an 8% share of Oman's overall import market. According to Omani government statistics, the U.S. exported $399.1 million worth of goods to Oman in 1998, a 1% drop from 1997 attributable the decline in oil prices and decrease in GDP growth. The top three exporters to Oman in 1998, in rank order, were the U.A.E. (largely re-exports, including U.S.-origin goods), Japan, and the United Kingdom.

Oman's economic policy operates under five-year development plans; its fifth five-year plan, for the period 1996-2000, aims to lessen dependence on governmental spending and employment and transfer the impetus for major projects to the private-sector. The latest major government project is a U.S. $2.4 billion liquefied natural gas (LNG) project in Sur, which will export LNG to Korea, India and Japan. Construction is scheduled for completion in November 1999, with the first LNG deliveries expected to begin in April 2000. Other gas-related projects proposed by the Government include a petrochemical plant and aluminum smelter in Sohar, and a urea fertilizer plant in Sur. The most successful recent major project is Port Salalah (known formerly as Port Raysut), a US $250 million container transshipment port which opened in November 1998. Port Salalah is a joint venture between the Omani government, private investors, and the Sea-Land and Maersk shipping companies. Since its opening, Port Salalah has witnessed steady growth in shipping traffic and has the potential to generate rapid industrial development in southern Oman. Planning has begun on an industrial free zone to attract foreign multinationals and to develop Salalah as an air-sea cargo hub. Other development initiatives aim to develop the infrastructure of Oman's interior in order to provide services and employment for Oman's growing population, estimated to be increasing by at least 2.5% annually. Industrial parks have been set up throughout the country to provide investors subsidized sites and services ready for light manufacturing plants.

The Sultanate's emphasis on income diversification has opened the country to foreign participation in the economy, particularly in the form of joint ventures. Oman is actively seeking foreign investors in light industry, tourism, and power generation. Oman promotes a free market economy. There are no foreign exchange or capital flow restrictions. Foreign investment incentives include a five-year tax holiday for companies engaged in industry, mining, tourism, fishing, agriculture, and public utilities; national tax treatment and an income tax reduction for joint ventures with at least 51% Omani ownership; and government soft loans to finance new and existing projects. Although 100% foreign ownership of investments in Oman is possible, this requires the approval of the Ministry of Commerce and Industry and the Council of Ministers. Oman is actively pursuing membership in the World Trade Organization, having stated its intention to accede by late 1999; it is possible that Oman may relax majority foreign investment caps further by the end of 1999 in conjunction with its candidacy for WTO accession.

Nationalization of foreign enterprises is unknown in Oman. In 1998, the government renewed emphasis on privatization, particularly in the power, telecommunications, and air transport sectors. In 1996, Oman became the first Arabian Gulf country to turn exclusively to the private sector to build, own, operate and transfer (B-O-O-T), a major power project, a 90 MW plant in Manah. The government has announced four new B-O-O power projects, including a 200 MW power project in Salalah; a 400 MW power/desalination plant at Barka; a 200 MW power plant at Sharkiya; and a 190 MW extension of the Rusayl power plant. As of mid-1999, these power projects remained in different stages of tender writing and issuance. In 1999, the Omani government selected Merrill Lynch as financial advisor for the yet to be announced privatization of the General Telecommunications Organization. In 1999, the government also selected Credit Suisse/First Boston as financial advisor for the planned privatization and expansion of Muscat's Seeb International Airport, expected to take place in 2002. Various state enterprises also have been converted to mixed public-private enterprises, including a flour mill and Muscat port services.

In addition to the oil and gas sectors, there are other sectors in Oman with good potential for U.S. exporters. These include machinery and mechanical equipment; prepared foods and vegetables; healthcare and medical equipment; water resource technologies; travel and tourism; consumer and industrial telecommunications equipment; power generation equipment and processes; training and vocational education services; franchising; and joint-ventures. The top six categories of U.S. exports to Oman in 1997 accounted for 87% of total U.S. exports to the Sultanate, and were: machinery and mechanical appliances (51%), transport equipment (15%), prepared foodstuffs and animal and vegetable products (8 %), chemical products (5%), works of art and antiques (5%), and base metals (4%).

U.S. exporters should find the civilian sector of the Omani market open, competitive, and of growing relative importance. The governmental sector, which is responsible for most tender opportunities, is increasingly open to competition, although Oman's historically close ties with Britain still produce a tendency to favor British contractors, particularly of services. Royal Dutch Shell continues to enjoy weighty influence in state petroleum policy, and is the largest principal private shareholder in the state-controlled national exploration and petroleum production company, Petroleum Development Oman (PDO), and in Oman Liquefied Natural Gas (OLNG).

The principal foreign competitors are Japan (oil services, construction and engineering services, electronic goods and automobiles), the UK (machinery, automobiles, and consumer goods), France (petroleum, consumer goods, foods), Holland (oil and gas services), and the United Arab Emirates (the re-export market). East Asian suppliers dominate the price-conscious Omani consumer market, with major entries from India, but determined U.S. firms have made inroads. While Toyota and other Asian brands dominate vehicle sales, U.S. vehicles have increased in popularity, although the yen's weakened value and Oman's overall economic downturn set back U.S. car sales somewhat in 1998. British companies still predominate in military sales to Oman against competition from other sources, including France and the United States.

Country Commercial Guides are available on the National Trade Data Bank on CD-ROM or though the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. To locate CCGs via the Internet, please use the following World Wide Web (WWW) address: WWW.STAT-USA.GOV In the United States, CCGs can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

II. ECONOMIC TRENDS AND OUTLOOK

In the worst case scenario, Oman's saleable oil reserves will be depleted by 2020. By that year, Oman plans to have diversified its economy by developing natural gas sales, including LNG, and energy-based industries and their spin-offs. Nonetheless, its economy moves in lock step with oil price fluctuations, which brought about a 10.2% drop in GDP growth in 1998. Oman's oil revenue fell by 29% in 1998, but still accounted for 69% of government revenue and 30% of overall GDP.

FALLING OIL PRICES RESULT IN RISING BUDGET DEFICIT, SPENDING CUTS

The sharp downturn in oil prices in 1998 derailed government efforts to achieve a zero budget deficit in 2000, as called for in the 1996-2000 five-year economic plan. In 1997, higher oil prices and a 5% government capital spending cut had resulted in a budget deficit of just U.S. $47 million, a 93% reduction from the deficit figure of the previous year. However, in 1998, the average per barrel price of Omani crude fell to $11.92, a 36% drop from the 1997 per-barrel average of $18.62. Complicating matters further, the FY-1998 budget was based on an oil revenue assumption of $15 per barrel. Faced with the ongoing oil price slump, the government reacted decisively and revised the 1998 budget mid-year based on an oil revenue estimate of $12 per barrel, trimming capital expenditures where ever possible. Oman ended 1998 with an estimated budget deficit of $832.5 million, which it financed through a combination of loans, issuance of government bonds, and drawing down the State General Reserve Fund (SGRF).

The FY-1999 Omani State Budget reduced overall government spending by 7% and was based on an anticipated oil price of $9 per barrel. Most ministries, including the Ministry of Defense and security services, experienced spending cuts between 5 and 10% , with the exceptions of the Ministries of Education and of Health, which saw modest spending increases. In general, the 1999 budget, while austere in nature, was designed to avoid spending cuts which would affect the provision of basic services such as health, education, water, and electricity. In addition, government salaries, which are estimated to represent 68% of government expenditure were another off-limits area for cuts. The government announced new measures to increase government revenue and thereby offset the deficit, including: an increase in the net corporate tax on Omani companies from 7.5% to 12%; increases in customs duties on imported cars from 5% to 10% for cars with engines under 2500 cc, and from 5% to 15% for cars with engines above 2500 cc; increases in duties on so-called imported "luxury goods" from 5% to 15% (see section VI for further information); and increases in duties on imported alcohol and pork products from 100% to 200%.

Despite these attempts to cut spending and increase revenue, the FY-99 budget projected an end-of-year deficit of about $1.6 billion, or about 11% of GDP, to be financed entirely through the State General Reserve Fund. According to the 1999 budget, all oil revenue above $9 per barrel would go towards replenishing the State General Reserve Fund. An improvement in oil prices as of mid-1999, which has seen an average per barrel price of $11.42 through May with prices well above $15/barrel in June, will help reduce the 1999 deficit. However, even with an 1999 average of $13/barrel, which will result if current prices levels remain stable, Oman will still end the year with a deficit of close to $700 million. Many local observers have pointed out that despite the fact that the 1999 budget was based on a revenue estimate of $9 per barrel, expenditures were based on oil revenue estimate of $16 per barrel. Replenishing the SGRF, which had fallen to about $2 billion by mid-1997 (note: the SGRF level is not a matter of public record. end note.), will be a challenge for the government in 1999 and beyond as long as oil prices remain below $16 per barrel.

The following are the average, per barrel price of Omani crude oil since 1997:

1997	1998	1999 (Jan-May)
$18.62	$11.92	$12.50

The following are the net petroleum revenues for Oman since 1997 (in billions):

1997	1998	1999 (Jan-May)
$4.5	$3.2	n/a

Restraint in governmental consumption has led to delays in capital projects, reductions in employee benefits, and a reduction in the number of expatriates employed by the government and PDO. Since 1996, the government has encouraged early retirement with pensions for Omanis with 10 years in the civil service as a means of trimming government employment rolls and offering opportunities to recent graduates. To encourage Omanis to seek private sector employment, the government is trimming the gilt from its benefits package.

SHARP DROP IN GDP AND INCREASED CURRENT ACCOUNT DEFICIT IN 1998

Gross Domestic Product (GDP), $14.1 billion in 1997, declined by 10.2% in 1998, the lowest figure since 1986, compared to positive GDP growth of 2.9% in 1997. This downturn in economic growth in 1997 was accompanied by a fall in total consumption in the economy and a fall in total industrial activities of 25.4%. Non-petroleum activities, however, increased by 4.6% in 1998, with an 11.2% increase in transport activities, attributed in large part to the Port Salalah project. The new General Price Index (Muscat and the four next largest towns) reported an 0.5% decrease in the consumer price index in 1998, indicating price stability.

Oman experienced a trade deficit of $174.3 million in 1998, its first trade deficit since 1970. The value of Oman's major export, crude oil, decreased by 37% in 1998, to $3.6 billion. The value of non-oil exports decreased by 2% in 1998 to $517.7 million, with the value of agricultural exports declining by 16% and mineral products by 19%. Re-exports decreased by 2.7% in 1998. Despite the downturn in the economy, imports increased by 13% in 1998, with a 36.4% increase in food imports, a 26.6 % increase in imports of base metals, and a 37.8% increase in imports of base metals, Oman's largest import merchandise category overall. There was a net outflow of $1.43 billion in workers' remittances, 2% lower than in 1998. While remaining 1998 balance of payments data is not yet available, Oman's 1998 current account deficit will significantly exceed its 1997 current account deficit of $51.9 million, given the trade deficit, and high remittance outflows. In addition, with the expected decline in the oil sector capital account for 1998, Oman likely had a negative balance of payments for 1998, in comparison to a balance of payments surplus of $688 million for 1997.

REMOVING BARRIERS TO TRADE AND INVESTMENT

There are a number of constraints affecting trade and investment in Oman. Fundamental is the country's small population and resulting small domestic market. This problem is exacerbated by: the lack of a modern, high value consumer market, particularly beyond the capital area, with high value leakage to Dubai and other foreign retail centers; bureaucratic obstacles to enterprise; and a risk-averse trading mentality. In addition, other regional producers typically offer higher subsidies for industry than Oman, creating similar industries and making competition difficult. Nearby Dubai offers more efficient air and maritime port services, a vast free trade zone at Jebel Ali, rapid approval of visas for visitors and foreign residents, and greater product variety. An old civilization and a young state, Oman continues to modify its legal and institutional structures. While the general trend favors an open market economy, reluctance to take on new approaches as well as bureaucratic wrangling sometimes slow down private sector initiative.

Visas are easier to obtain than before, but require advance planning for non-GCC residents. U.S. citizens are eligible for two-year, multiple tourist and business visas on application at Omani embassies. Expatriate professionals residing in GCC countries can be granted multiple-entry visas at the port of entry, and can have expedited processing of visas in 24 hours, instead of the typical 2-3 days. Except at Washington, Omani embassies typically offer single entry visas only. Single entry visas for non-GCC residents still cannot be obtained upon arrival without making prior arrangements, including sending original photos. Hotels, the Oman Chamber of Commerce and Industry, and Omani firms are able to act as "sponsors" for visa purposes. Anyone arriving without a visa is subject to deportation. In 1996, the Royal Oman Police, the immigration authority, reduced the maximum stay from two to one month, which has necessitated business visitors requiring longer stays to fly to Dubai and re-enter.

Government procurement practices constitute a constraint on trade. Tenders for most major projects are issued by the Tender Board, the government agency that evaluates civil government contracts in excess of R.O.

250,000 (approximately $649,350). Internal tender boards in the ministries handle smaller projects plus defense and telecommunications contracts. Under Tender Board guidelines, an Omani bid receives a 10% price preference, the factor by which its bid can be higher than that of a foreign company and yet be judged equivalently priced. In addition, bid closing dates are typically short, sometimes no more than one month. Nevertheless, the Tender Board has shown greater flexibility in issuing extensions for bidders on major projects. In some cases, tenders are announced only to firms pre-selected by consultant firms, although the government appears to be moving more towards an open tender process on major projects. Despite improvement in government efforts to publicize tenders to international bidders, the tender evaluation process for major projects remains typically slow, often resulting in long delays in awards and changing requirements that have raised bidders' costs and discouraged some firms from participating. (Note: For more information on the Tender Board, see section IV, Marketing U.S. Products and Services. End Note.)

FACTORS FAVORING OMAN'S ECONOMIC DEVELOPMENT

Despite barriers to trade and investment, important factors favor Omani economic development:

-- the promising potential of Port Salalah as an international air-sea transport hub, and prospects for the Salalah free-zone as a magnet for value-added, export industries;

-- Oman's new private-sector based development strategy, which promises greater efficiency and global competitiveness;

-- Oman's renewed emphasis on privatization, which offers attractive opportunities for U.S. firms in the electric power, telecommunications, air transport, and banking sectors;

-- Oman's ongoing efforts to accede to the World Trade Organization (WTO) by the year 2000 holds the promise of full integration into the global marketplace and WTO-consistent protection of intellectual property, market access, and customs valuation, making Oman a more dependable trading partner and a more attractive destination for foreign investment;

-- Oman's multilingual strengths, with English widely used as a language of business, supplementing the official language, Arabic, and with resources in many other regional languages;

--Oman's favorable credit rating from overseas lenders, based on its excellent payment record;

--Customs duties exemptions for new industrial projects;

--Incentives which allow new investment or expansion projects to qualify for a renewable five-year tax holiday from the corporate net profits; and

-- Oman's deserved reputation for stability and moderation, and pro-business outlook.

OMANIZATION: A MAJOR GOVERNMENT PRIORITY

The Sultanate imposes hiring schedules on firms to increase the number of Omanis hired as part of its "Omanization" policies, thereby limiting the personnel choices of businesses. The Government is demonstrating some flexibility in enforcing Omanization based on a firm's demonstrated need for skilled labor that the domestic labor market cannot produce. Nonetheless, the government is intent on pressing forward Omanization as a major policy priority. Firms, therefore, need to account for the cost impact of potential Omanization. The Omani government has fixed the following targets for Omanization by 1998: 60% for transport, storage, and communications sectors; 60% for the financial, real estate, and insurance sectors; 35% for industry; 35% for restaurants and hotels; 30% for wholesale and retail trade; and 20% for contracting. In general, U.S. firms operating in Oman have excellent records on Omanization; the Port Raysut project (in which Sea-Land has 15% equity) surpassed an Omanization target of 60% prior to its official opening in November 1998.

Despite emphasis on "Omanization," Oman continues to rely heavily on expatriate labor, primarily from India, Bangladesh, Pakistan, and Sri Lanka, to perform labor-intensive work as well as to occupy skilled middle management positions. Omani labor laws provide some basic safeguards for workers. For Omanis, the workweek is five days in the public sector and generally five and onehalf days in the private sector. The minimum wage for private sector Omani workers is $312 per month. Many expatriates receive Friday off, but workers in small retail shops may work 12-hour shifts and receive only several hours off midday Friday. The generally accepted figure for foreign residents (mainly workers) remains about 600,000.

Foreign nationals may not be employed as technical assistants, guards, light vehicle drivers, agricultural workers, forklift or mixer operators, or public relations officers unless the employer can show that there are no Omanis available for these positions. In 1998 and 1999, the government decreed that only Omani nationals could work as gas cylinder truck drivers and deliverymen, water tank truck drivers, school bus drivers, real estate agents, or plow operators. At the same time, however, the government issued public assurances to expatriates in mid-1999 that rumors of further Omanization of lower-wage jobs, such as hairdressers and waiters, were unfounded. For cost reasons, Omani firms tend to favor South Asian managerial staff to western expatriates. Growing social pressure to train Omanis to fill positions, particularly middle level and managerial slots, remains strong.

RAPID INFRASTRUCTURE DEVELOPMENT

In the years since 1973, oil revenues have enabled Oman to build a modern infrastructure. The country enjoys modern roadways to all major urban areas and population centers. Communications, utilities, and other services are also well developed, widely available, and expanding in more remote areas. The telephone system affords quick and reliable connections, with high international tariffs cross-subsidizing rural service. Oman started GSM service in late 1996 and full Internet service early in 1997.

The port of Muscat is modern and able to accommodate containerized shipping, although berths are sometimes in high demand and port productivity is substandard. (The port actually closes Thursdays and Fridays.) Muscat receives weekly service from APL and Sea-Land, with the latter commencing direct service, rather than reefers off-loading from Dubai, in mid-1997. Higher Omani port charges and stiffer customs paperwork at Omani ports and airports have encouraged overland shipment from U.A.E. ports, particularly from Jebel Ali in Dubai. The government vows reforms to promote domestic port usage.

Port Salalah, located in southern Oman some 1000 km down the coast from Muscat, has established itself as a leading container transshipment center on the Indian Ocean Rim since its opening in November 1998. Sea-Land Services serves as manager for the Salalah Port Services Company and, with strategic partner Maersk, is a principal customer of the port, the only port between Europe and Singapore which can accommodate the S-class, or world's largest class of container vessel. Shipping traffic levels at Port Salalah have already reached 60 vessels per month and are expected to grow steadily. Government plans to establish a free zone at Salalah adjacent to the port have the potential to make Salalah a major air-sea cargo hub and center for industrial development.

The government is also moving ahead with plans to upgrade and expand the existing port at Sohar, to facilitate several major industrial projects planned there. Sohar Port expansion and industrialization is being financed through a $250 million loan from the government of Japan. In May 1999, the government awarded a $68 million tender for construction of a new 6 km breakwater at Sohar Port to Daewoo of Korea. The government is expected to announce the tender for the dredging and construction of the new port facilities before the end of 1999.

Oman has no railroad, and there are no known plans to develop this sector.

III. POLITICAL ENVIRONMENT

In the Sultanate of Oman, Sultan Qaboos bin Sa'id Al Sa'id holds ultimate secular authority . There are no political parties; the judiciary is appointed by and subject to influence by the Sultan. While maintaining the ruling family's long tradition of firm control over all important matters affecting the state, the Sultan has brought leaders from the various tribes into his government. Much decision-making is consensual in accordance with long-standing tradition. Since his accession in 1970, Qaboos has balanced tribal, regional, and ethnic interests in composing the national administration. The Council of Ministers, which functions as a Cabinet, is appointed by and responsible to the Sultan. The Majlis al-Shura, or Consultative Council, was established in 1991 and represents Qaboos's measured effort to broaden popular participation in Government. The Consultative Council's mandate is to review legislation pertaining to economic development and social services prior to their becoming law. It may request ministers to appear before the Majlis. In October 1997, over 50,000 Omani men and women voted for over 700 male and female candidates to the 82 seats in the Majlis Al-Shura. Each candidate stood individually, as there are no political parties in Oman. Observers expect the plebiscite to be expanded for the next elections in 2000. Further, in December, 1997, Sultan Qaboos appointed the 40 members – including 4 women—to the new Majlis al-Dowla, or State Council, which is intended to act as the upper chamber in Oman's nascent legislature.

In November 1996, Sultan Qaboos presented his people with the "Basic Statute of the State," Oman's (and the Arab Gulf states') first written constitution. It guarantees various rights, within the framework of Koranic and customary law. It partially resuscitated long dormant conflict-of-interest measures by banning cabinet ministers from being officers of public share-holding firms. The same restriction was applied to Under Secretaries (Deputy Ministers) in 1998. Despite these measures, however, powerful individuals within the government continue to profit by the coincidence of their official duties and private sector business interests.

Oman is strategically located at the entrance to the Persian Gulf opposite Iran. It is concerned with internal stability and security, given the tensions in the region, the proximity of Iran and Iraq, and the potential threat of political Islam. Oman has traditionally sought to encourage resolution of regional disputes by discussion and, if necessary, mediation between parties. In this regard, Oman maintained its diplomatic relations with Iraq throughout the Desert Storm era, and has used this position to urge Iraq to comply fully with all applicable UN Security Council resolutions. Further, in 1994-95 the Sultanate served on the United Nations Security Council, and was a key player in instituting the "oil for food" deal with the Iraqi regime.

Oman has long been an active participant in the Middle East Peace Process. Oman has participated in the Multilateral Working Group effort which emerged from the Madrid discussions. In particular, Oman has played an active role in the Working Group on Water Resources, which resulted in the 1997 opening of the Middle East Desalination Research Center in Muscat. Oman hosted the first official Israeli delegation ever to the Gulf region, and, in 1996, Oman and Israel opened trade mission offices in each other's commercial centers, but Oman only briefly based a trade representative in Tel Aviv in late 1996. Oman does not boycott Israeli products. Oman and Iran maintain correct political relations, and have limited economic interaction. Oman was encouraged by the election of President Khatami, and looks to an eventual further blossoming of its trade with Iran and central Asia. In addition to its historical ties to east and central Africa, Oman is a founding member of the Indian Ocean Rim Association for Regional Cooperation (IORARC), which focuses on promoting trade between the 14 member states in Africa, the Middle East and South Asia. In general, regional political events have little impact on Oman's economy except as they affect oil prices and perhaps dissuade investment because investors lack a sophisticated view of Oman's location in and policies regarding the Middle East.

The United States and Oman enjoy a commonality of views as regards many issues in the Gulf region. Both countries share an interest in maintaining political stability in the area, and keeping open and secure the Strait of Hormuz. For its part, the United States supports the efforts of the Sultanate to increase popular participation in setting government policies and in serving as a moderating, stabilizing force in regional and international affairs.

IV. MARKETING U.S. PRODUCTS AND SERVICES

Business success in Oman comes from assiduous cultivation of clients and knowledge of local market developments. Tenders are often announced with little advance notice and short deadlines. Dormant plans sometimes become active when funds become available. A local agent or local office is needed to monitor and respond to business developments. Despite the government's interest in attracting business to Oman, its bureaucratic hurdles can be daunting. A local contact can expedite the flow of paperwork and documents. A policy preference for majority Omani-owned joint ventures is reflected in the tax laws, which tax the profits of majority-foreign owned joint ventures at a substantially higher rate. Significant incentives, including subsidies and tariff protection, are available to a greater degree to joint stock companies than to companies with other structures. In these and other issues, the impact of adjustments Oman must make to join the WTO remain to be seen.

Foreign companies wishing to distribute their products in Oman face a local agent requirement but are no longer legally required to enter into exclusive agency agreements. In special cases, such as when the government has directly approached a foreign firm, the agency requirement is waived altogether. Agents are useful but not legally required for sales to the Omani government, the major economic player. Constrained budgets encourage government procurement officials to buy direct; however, in practical terms, it is still difficult for a foreign firm to sell directly to the government without an Omani agent scouting for and bidding on tender opportunities. A local agent must (if an individual) be an Omani and, in the case of a company, be at least 51% Omani-owned.

If the foreign manufacturer or supplier does enter into an exclusive agency agreement, it is not permitted to sell or distribute the contract-specified product, good or service itself or through another agent or broker, except for the exemption on bringing goods in through ports or airports. An importer bringing in goods covered by an agency agreement must pay that agent a 5% commission if the goods are brought into Oman overland, but this requirement is waived if the goods are brought in via ports or airports.

Separate agency agreements for the Northern region (Muscat Area) and the Southern Region (Salalah) are permitted. The manufacturer or supplier may not unilaterally terminate the agency agreement except where there is a justifiable breach of agreement by the agent. Agency agreements must be approved by the Oman Chamber of Commerce and Industry (OCCI) and registered with the Registrar of Agents and Commercial Agencies of the Ministry of Commerce and Industry. The practical effects of this regulation on a foreign supplier are substantial: the Ministry of Commerce and Industry may prohibit the importation of goods and merchandise of suppliers who do not have an independent commercial agent registered in Oman.

In terms of locating an agent, the Embassy Commercial Section can provide details and background on major Omani companies. In addition, personal visits to potential agents are recommended. Commercial office space is readily available in Oman. Advertising is most commonly done through newspapers and promotional fliers. Oman's English and Arabic language newspapers accept advertising. There are two daily English language newspapers in which companies can advertise: the Oman Daily Observer and the Times of Oman, which both publish business supplements and are read predominantly by expatriates. The two Arabic dailies, Oman and Al Watan, reach a broader Omani audience and are also published seven days a week except national holidays. Two independent business monthly magazines, Business Today and Oman Economic Review began publication in 1998. Advertising is also possible on Omani television and radio and on limited highway signs. There are no private radio or television stations.

Due to the complexity of Omani regulations, it is useful to obtain legal counsel before drawing up an agency agreement. While the Embassy Commercial section offers general information on Oman's commercial regulations, legal counsel is advisable for specific questions on labor, investment and tax laws, licensing procedures, and for the resolution of commercial disputes.

HIGHER TAXES FOR FOREIGN FIRMS

Omani-owned firms pay taxes on profits at a substantially lower rate than foreign firms. In October 1996 the government extended national tax treatment to public share holding joint ventures having up to 49% foreign ownership effective January 1, 1997. A March 1999 Royal Decree revised this decision and removed the requirement that minority foreign owned joint ventures include a public share holding company to enjoy national tax treatment. As of now, all majority Omani-owned joint ventures with foreign participation up to 49% enjoy the new national net corporate tax rate of 12%. The maximum corporate tax for firms with 51 to 99% foreign ownership is 25%. (Note: The May 1999 Royal Decree established that a majority foreign-owned firm with any level of Omani participation would enjoy the 25% tax rate. Previously the maximum level of foreign ownership to enjoy the 25% tax rate was 90%. End Note.) A maximum corporate tax rate for 100% foreign owned firms is 50%, and was unchanged by the March 1998 Royal Decree. The taxation rate for petroleum firms is set in their concession agreement.

Additionally, Oman in late 1996 imposed a 10% withholding tax on gross income of foreign firms, including remittances to parent companies, as a tax on foreign services. Oman also levies a tax on companies of 90 R.O (about $234) for each foreign employee.

THE TENDER PROCESS

In 1975 the government established a Tender Board to handle contracts for all large government projects {except those of the Ministry of Defense, the Diwan of Royal Court, PDO, and the General Telecommunications Organization (GTO)}. Ministries can award contracts through their internal tender boards for projects up to U.S. $650,000. Projects that exceed that amount must be referred to the Tender Board, which determines the terms of bidding, invitations for bids, and selection of firms for awards.

In most instances, there is no formal pre-qualification process for smaller contracts. In order to submit a bid, firms should have an Omani sponsor or partner and be registered with the Ministry of Commerce and Industry and with the Tender Board. However, the Tender Board will accept a bid from a firm without an Omani sponsor if the company is new to the Omani market and does not have time to secure a sponsor prior to submitting the bid. Still, a sponsor is advisable given the need for local follow-up. A temporary deposit in the form of a bank guarantee for 2% of value the tender is required. Contracts are generally, but not necessarily, awarded to the lowest bidder.

The Tender Board takes into account factors other than price such as past performance, financial responsibility, compliance with registration procedures, and percentage of Omanization of the firm. That said, price appears to be the primary factor, with Omani registered firms granted a 10% price preference.

After notification is given of an award, final negotiations concerning clarifications and adjustments take place before the contract is executed. Sixty days usually pass from selection through award notification to signing of the contract.

Although there are frequent delays in evaluation of bids and awarding of tenders for major projects, Tender Board procedures are generally regarded as fair, with numerous measures in place to eliminate possible malfeasance or bias towards a particular bidder. More recently, the Tender Board has improved its efforts to publicize bids to international companies. The Tender Board has publishes tender announcements in the widely distributed Middle East Economic Digest. Tender announcements are also published in the website of the General Telecommunications Organizations (www.gto.net.om) and the Oman Chamber of Commerce and Industry (www.occi.org.om). The Embassy Commercial Section publicized tender announcements for major projects of potential interest to U.S. firms in the National Trade Data Base, administered by the U.S. Department of Commerce.

V. LEADING SECTORS FOR U.S. EXPORTS AND SERVICES

The best prospect for U.S. products in Oman continues to be the petroleum sector. The Omani government has continuously increased the level of oil production, and hopes to reach a production target of 1,000,000 barrels per day within the next three to four years. Significant portions of the country's oil infrastructure are aging. Pipelines, well-heads, pumps, and related equipment will need replacing. Additionally, Oman has a number of older fields and fields with complex geology. As a result, Oman needs the latest technology in secondary and tertiary recovery techniques, as well as innovations in 3-D seismic analysis to facilitate exploration efforts. Finally, there is interest in computer systems which can monitor remote wells and cut labor costs. Petroleum Development Oman (PDO) is the national oil exploration and development company; the government has majority control and Royal Dutch/Shell is the principal private shareholder. Occidental Petroleum, at about 50,000 bbl/day, is the second largest producer. Four additional U.S. firms explore ex-PDO concessions on a smaller scale: Amoco, ARCO, Phillips, and Triton Energy. Bermuda-based, allegedly Saudi-owned Nimr and Gulf Stream (Canada) signed for concession areas in 1997. In 1999, Occidental, in a joint venture with BP/Amoco and Neste, signed a $25 million exploration agreement for five concession blocks in northern Oman, which should result in the exporting of gas to Amoco's gas processing facility in Sharjah. Phillips Petroleum also signed a $29 million exploration agreement in May 1999 for a second concession block in southern Oman, along the Yemeni border.

In November 1996, the government began construction of a $2.4 billion liquefied natural gas (LNG) project located at Qalhat (at Al-Ghalilah) near Sur, a town on the coast 150 km southeast of Muscat. As of mid-1999, construction was 90% complete on the two-train downstream complex, with the first gas deliveries expected to begin in April 2000. The available quantity for export in 2000 is estimated at 6.6 MT/yr and has been sold in long-term contracts to the following: 4.4 MT to Korea, 1.5 MT to India (purchased by the U.S. firm Enron), and 0.7 to Osaka Gas of Japan.

In mid-1996 a consortium led by (U.S.) Foster-Wheeler and Chiyoda, locally co-sponsored by the SSB and Zubair groups, won in a re-bidding over international competitors for the $1.2 billion engineering, procurement and construction contract for the downstream LNG plant. Snamprogetti and Bechtel won an award for upstream work on the 400km in pipelines from central gas fields in Saih Rawl, Barik, and Saih Nihayda to Qalhat, and the central fields' collection plant. General Electric and Stone and Webster won the contract for construction of an upstream power plant. By mid-2000, all foreign contractor work on OLNG should be complete, unless the government decides to proceed with a construction of a third train, an idea which reportedly has been considered by the government, but not endorsed up to now.

The state-owned Oman Refining Company (ORC) can produce 80,000 barrels/day of petroleum products at its refinery at Mina Al Fahal, Muscat. Further refining capacity is required to meet national demand. Presently limited cracking capacity is inadequate to produce unleaded gasoline. Unleaded gasoline became available in Oman in 1999, but is still only in limited use. Oman Refining Company is proceeding with plans to build a catalytic cracking unit in Sohar, and recently named the U.S. firm UOP as technology provider for this project.

Prospects continue to be good for exports of U.S. electrical machinery and mechanical equipment (H.S. Section XVI) to Oman, which represented over 51% of U.S. exports to Oman and were valued at $202 million in 1998. Total Omani imports of machinery and mechanical equipment grew by 37.8% in 1998 to reach $1.6 billion, and represented Oman's leading merchandise import category. In 1998, the U.S. was the second largest exporter to Oman in this category after the U.A.E, followed by Italy and the United Kingdom. U.S. electrical machinery and mechanical equipment exports to Oman have increased dramatically in recent years, valued at just $121.7 million in 1996.

U.S. exports of prepared foodstuffs, beverages and tobacco (H.S. Section IV) have also increased significantly in recent years and represent a good sector for continued growth. Oman's total imports in this category increased by 36.4% in 1998, to reach $420.3 million. The U.S. is the second leading exporter to Oman in the H.S. Section IV category behind the U.A.E., and followed by the United Kingdom and Saudi Arabia. Exports of U.S. vegetable products (H.S. Section II) to Oman increased by 52.9% in 1998, to reach $5.2 million.

The Omani market also offers good prospects for exports of U.S. health care products. Having completed major regional hospital construction in the last five year plan, Oman's current emphasis is on upgrading facilities, including diagnostic abilities, and rationalizing services provided at its principal hospitals while continuing to extend its rural clinic network. The Omani national population is growing at 2.5% annually and the existing system is overburdened and in need of expansion. The Government's determination to provide its citizens with basic health care means that the demand for health care products and health-related expenditures will continue to grow. It seeks to shift expatriate care to private hospitals and clinics, which also are beginning to compete with the almost free state hospitals and prestigious foreign hospitals for the upper middle Omani market. Since 1996, the Omani Ministry of Health has purchased over $7.4 million in medical products and technology directly from U.S. suppliers. The Ministry of Health has expressed particular interest in U.S. health care management information technologies, as part of its efforts to standardize operations and establish interconnectivity among Oman's 150 hospitals and regional clinics. The U.S. was the leading exporter of medical, surgical, dental and veterinary appliances (H.S. Code 90189000) to Oman in 1998, with exports in this category valued at approximately $3.1 million.

Water saving technologies for agriculture also offer good potential in arid Oman. Salinity of groundwater is a growing problem in coastal agricultural areas. Water tables are falling throughout the country. The Omani government continues to subsidize the installation of irrigation systems. Companies which can provide equipment for small-scale irrigation will find a ready market among the large number of small farms in the country. Companies with expertise in sewage and waste water treatment should also find opportunities. The U.S. firm Ogden Yorkshire is the foreign technical and equity partner in an ambitious private sector consortium to provide waste treatment collection and treatment for the capital area. The U.S. firm Parsons Engineering Science recently won the engineering, procurement and construction contract for construction of a wastewater collection and conveyance system in Salalah, with the Omani firm Galfar Engineering and Construction serving as the contractor.

Oman has grown more serious about developing its tourism potential. By 2020, the Government is counting on tourism to contribute 5% to GDP—up 100-fold from the current 0.05% level. This will require the construction of roads, hotels, recreation facilities, and, in some locales, desalination plants. Companies with expertise in designing and developing a tourism infrastructure and companies experienced in tourism marketing should find business in Oman. In 1998, a $23 million Hyatt Regency opened in Muscat, and major hotels set to open later in 1999 include a Hilton in Salalah, and a Radisson in Muscat. Tour groups are coming to Oman in increasing numbers from Germany, Austria, and Scandinavia; however, the overwhelming majority of Oman's estimated 35,000 "tourist" visitors in 1998 were business travelers. The peak season for hotel occupancy in Muscat is October through March. With a potential tourist season that extends through the summer, local investors in Salalah are looking for foreign partners for hotel and vacation villa complexes. While the rest of Oman bakes, the Dhofar coast from July through September attracts Gulf Arabs to its misty, monsoon-cooled days. Limited air service and restricted alcohol availability limit other foreign tourism to the beautiful Dhofar coast.

The government is also moving ahead with a variety of telecommunications and rural electrification projects. Oman intends to have such services available in all but the smallest village. In addition, Oman intends to upgrade both its main power grids and its telecommunications and broadcasting systems. American companies have had limited success in all of these areas. The government has announced plans to privatize General Telecommunications Organization (GTO) and selected Merrill Lynch as financial advisor on the planned privatization. As of mid-1999, the exact means and manner in which it intends to privatize GTO were still under discussion. GTO has contracted with Ericsson, Siemens and Motorola to expand GSM service in Muscat, Salalah, and the Batinah coast, respectively, and they continue to expand service in outlying areas.

Companies specializing in power plant construction, power generation equipment, and power plant operations and process will find considerable opportunities in Oman. With its growing population and continued need for expanded power generation, Oman has made privatization of future power projects a major infrastructure priority. In 1996, Oman became the first Arabian Gulf country to turn exclusively to the private sector to build, own, operate and transfer (B-O-O-T), a major power project, a 90 MW plant in Manah. Despite some criticism in government circles that the project has been too costly to the Omani government, the Manah project has been a successful and profitable operation. In 1998, the government signed a contract with the plant's private operator, United Power Company, to proceed with expansion of the existing facility. The government has announced four new B-O-O power projects expected to be completed in the next two to three years, including a 200 MW power project in Salalah; a 400 MW power/desalination plant at Barka; a 200 MW power plant at Sharkiya; and a 190 MW extension of the Rusayl power plant. As of mid-1999, these power projects remained in different stages of tender writing and issuance. Four U.S. firms are among the consortia bidding on construction of the Salalah 200 MW plant, and three U.S. firms are bidding for the consultancy for the 400 MW power/desalination plant at Barka. Awards for these two projects have yet to be announced.

Training programs and other educational services are also in demand and represent an opportunity for U.S. service providers. Consistent with "Omanization," the present five year plan places a high priority on vocational and technical training. The government has adopted the British "General National Vocational Qualification" (GNVQ) scheme for modular vocational training, but it so far lacks the exacting standards necessary to develop the skills and experience that an apprentice system could offer. With the only Omani university, Sultan Qaboos University, already oversubscribed and the government committed to Omanization policy, expanded vocational training is a necessity. In 1999 the government announced that it would permit the establishment of non-profit private universities with up to 49% foreign investment. A number of private university projects are reportedly already under discussion.

Franchising represents a potential growth sector, as several U.S. franchises are already well-established in Oman, particularly in the restaurant sector (McDonalds, Burger King, KFC, Pizza Hut, Hardees, Fuddruckers). A number of U.S. car rental franchises are present (Hertz, Budget, Avis, Thrifty, Pay-Less), and the first U.S. motorcycle dealership, Harley-Davidson of Oman, opened in late 1998.

Finally, companies will find the Omani government supportive of joint venture projects. Oman is a generally free market economy. It provides incentives to investors. It looks to the private sector to provide most of the investment in agriculture, services, and light industry. It welcomes foreign investment for the technical expertise it brings and the training it provides to Omanis. Moreover, in the coming years, there will be a growing preference, whether formal or informal, for joint ventures over foreign controlled firms established under sponsorship arrangements. This preference is already reflected in the tax laws, as mentioned in section IV.

The Government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60% of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty negotiations and business facilitation programs, that support U.S. investors. Oman is also a designated beneficiary for the Generalized System of Preferences (GSP) program, which assists Oman in exporting selected products to the U.S. with preferential tariff treatment.

VI. TRADE REGULATIONS, CUSTOMS, AND STANDARDS

Companies which import goods or act as commercial agents in Oman must fulfill the following principal conditions:

- --They must be registered with the Ministry of Commerce and Industry and with the Oman Chamber of Commerce and Industry;
- --Omani share-holding in the capital of the company must be at least 51%.
- --The company's main purposes should include import trade and commercial agency business.

Certain classes of goods require a special license; e.g., alcohol, firearms, narcotics, and explosives. Certain essential consumer goods and other items are exempted from customs duty. Examples include currency, seeds, fertilizers, live plants, agricultural implements and insecticides, books, refined petroleum products, and basic food commodities such as rice and meat.

Prior to 1999, customs duties of 5% of CIF value for most other goods were charged. However, as of January 1, 1999 the government announced an increase in customs duties from 5 to 15% for a list of 600 goods, which were described as "luxury items." In fact, the list, as published in the Omani press, included a number of non-luxury items such as prepared foods, tea, coffee, office equipment, computers, electrical equipment, construction and building materials, and electronic goods. The decision was followed by retailer price increases in excess of 15% on many imported goods, particularly food items, in addition to price increases on items not subject to the duty increase, such as rice. In May 1999, the government revised the list of "luxury items" subject to the duty, and removed 40 items largely used for industrial purposes. As part of its 1999 duty increases, the government doubled duties applicable to pork products and alcoholic beverages from 100% to 200%. It also increased import duties on cars with engines below 2500 cc from 5 to 10%, and from 5 to 15% for cars with engines above 2500 cc. The government also increased import duties on tobacco products from 75 to 100% in 1999. The government reserves the right to impose duties of 10 to 50 % on some items in order to protect nascent domestic industries. The entire issue of tariffs and duties will be affected by Oman's entry into the WTO, slated for January, 2000. With a few exceptions, goods produced in other GCC countries enter duty free if accompanied by certificates of origin.

All media imports are subject to censorship; e.g., the Ministry of National Heritage and Cultures may reject or expunge morally or politically sensitive material from imported videos. The Ministry of Information delays or bars the entry of magazines and newspaper editions if it takes exception to a story on Oman or deems the content morally suspect.

Oman has no general provisions for the temporary entry of goods. In the case of auto re-exports, a company can import vehicles into the country for the purpose of re-export and have duties refunded if it re-exports the vehicle in six months. There are no officially designated free trade zones, although the government is expected to announce a free zone in Salalah to complement the existing port facility, before the end of 1999. The government has set aside land along an interior border crossing point with Yemen by the name of al-Mazyounah for a free trade zone, but no work has been completed on this project to date.

GCC members have thus far failed to agree on a common tariff policy, although the issue remains under active discussion. Common GCC labeling standards do exist. The labels of imported goods should be printed in Arabic and English although some English-labeled items are sold in the market. For packaged food products, the date of manufacture and the expiration date should be overprinted on the label or elsewhere on the container. Stick on tape printed production and expiration dates are not acceptable. U.S. industry considers Omani shelf life limits to be more restrictive than scientifically necessary. Major slaughterhouses in the U.S. are able to offer Halal supervision. Halal and health certificates for food imports have to be notarized by both the National U.S.-Arab Chamber of Commerce and the Omani Embassy in Washington or an Omani consulate.

VII. INVESTMENT CLIMATE

Economic Overview

Oman's economy runs on petroleum, which accounted for about 67% of government revenue in 1998. As of 1999, the Ministry of Oil and Gas estimated Oman's total recoverable proven reserves at approximately 5.4 billion barrels and its proven gas reserves at 25 trillion cubic feet (tcf). Oman officially predicts that proven gas reserves will reach 40 tcf in the early years of the 21st century, especially in light of recent efforts to encourage companies taking new concessions to actively explore for gas. Oil production throughout 1998 averaged 896,000 barrels/day, a slight decrease from 1997 due to production decreases agreed upon in conjunction with OPEC countries. (Note: Oman is not a member of OPEC, but often attends OPEC meetings as an observer.) The main producer of oil is the government majority-owned Petroleum Development Oman (PDO), which controls more than 90% of reserves and about 94% of total production. 1998 PDO production averaged 835,000 b/d, followed distantly by U.S. firm Occidental Petroleum (about 44,000 b/d) and others. In 1999, U.S. firms increased investment in exploration activity in Oman. Occidental, in a joint venture with BP/Amoco and Neste (Finland), signed a $25 million exploration agreement for five concession blocks in northwestern Oman in March 1999. In June 1999, Phillips Petroleum signed a $29 million concession agreement for a second exploration block in southern Oman, adjacent to the Yemeni border.

In addition to oil, the government is beginning to develop its natural gas reserves. As of mid-1999, construction was close to completion on a $2.4 billion liquefied natural gas (LNG) project, including upstream field development, pipelines, collector facility, and a plant located north of Sur, on the coast southeast of Muscat. The 6.6 million tons/year output from this plant has already been sold in long-term contracts to interests in Korea, India (a local power company owned by U.S. firm Enron) and Japan, with initial deliveries expected to begin in March 2000. An associated $250 million urea plant, to be built jointly by Oman Oil Company and several Indian parastatals, is still in the planning phase but has been delayed due to financing difficulties.

Government investment in infrastructure projects is expected to decrease in 1999 and beyond, as long as lower-than-average oil prices continue to constrain government finances. As a result, the government has sought to encourage the private sector to take on a greater role in financing infrastructure projects. The capital area and other population centers have modern, well-developed communications, utilities, and road systems. However, additional investment is needed to extend infrastructure to rural areas. The fifth five-year plan, 1995-2000, and the Sultan's long-term "Oman Vision 2020" development plan highlighted the need for the Omani economy to diversify beyond its present reliance on petroleum, through a process of Omanization, industrialization and privatization. The government has expressed intent to proceed with several major privatization projects, including power generation projects in Salalah, Barka, Rusayl, and Sharkiya; the partial privatization of the General Telecommunications Organization (GTO); and the operation and expansion of Muscat's Seeb International Airport. Other privately financed infrastructure projects still in the planning phase include a petrochemicals plant, steel rolling mill, and aluminum smelter in Sohar.

One of the most successful diversification projects thus far is Salalah Port, a container transshipment port owned jointly by Omani private investors (40%), the Omani government (30%), U.S. Sea-Land (15%), and Maersk (15%). Port Salalah opened in November 1998 and is located just 150 km from major East-West shipping lanes. The Port is already handling over 60 vessels per month and is one of the leading container ports on the Indian Ocean Rim. In June 1999, the Omani government announced plans to launch an industrial free zone at Port Salalah, under the management of Salalah Port Services, the Omani- U.S. joint venture which runs the container port. With Salalah's prime location and container transshipment facilities, the free zone has the potential to attract leading multi-national manufacturing and processing operations, as well as become a major air-sea cargo hub.

The Sultanate emphasizes the need to train and create employment opportunities for Omani workers. The number of expatriates in Oman is about 600,000, or about 25% of the population. Despite government efforts to replace expatriate workers with Omanis, Oman still depends heavily on primarily South Asian labor to fill jobs which require physical labor, clerical work, and certain technical skills. Oman's population is growing at a rate officially estimated at 2.5% annually; more than 69% of the national population is age 25 years or younger. Nearly 20,000 secondary school graduates enter the Omani job market each year; most are unable to find work due to their lack of adequate training and job skills. The government is encouraging training for Omanis as a means to increase employment, and the Ministry of Social Affairs increasingly is using its authority to enforce Omanization efforts, particularly at the lower end of the wage scale.

Continued development and the population pressures have also contributed to a growing water problem. Wells in several villages in Oman's interior have dried up and groundwater aquifers are being seriously depleted. There are increasing levels of salinity in groundwater in coastal agricultural areas. Less-than-usual rainfall in 1998 compounded the problem. In the context of the multilateral talks which are part of the Middle East Peace Process, a Middle East Desalination Research Center officially opened in 1997, with funding from Oman, the United States, Japan, Israel, Korea, and by the European Union.

In addition to the several major projects cited above, Oman is developing light manufacturing industries. In order to provide facilities for these efforts, the Public Authority for Industrial Estates manages a number of industrial estates throughout the country. The original and most developed is Rusayl Industrial Estate, located on the outskirts of the capital. As of 1999, there were 100 small factories operating at Rusayl, with another 35 operating at the other estates located in Salalah (in the southern Dhofar region), Sohar (north of Muscat near the UAE border), and Nizwa (inland of Muscat). Others are planned for Sur, Buraimi, and Khasab.

The dramatic downturn in the Muscat Securities Market (MSM), which lost over 50% of its value in 1998, hurt many small and first-time investors deeply and undermined local confidence in the economy. The MSM, which was the world's best performing securities market in 1997, dropped from an all-time high of 509 points in February 1998 to close the year at 228 points in December 1998. As of mid-1999, the MSM showed little sign of recovery, despite a government decision to inject liquidity into the market by creating a 100 million R.O. National Investment Fund. To date, only R.O. 40 million has been made available, made up of obligatory contributions from government pension funds, and small tranches of this sum have been invested periodically. Observers have attributed the MSM drop-off to be the result of overzealous speculation and over-valued offerings combined with the impact of the Asian financial crisis and the oil price slump, which severely affected government liquidity in 1998.

SECTION A: FOREIGN INVESTMENT IN OMAN

A.1. OPENNESS TO FOREIGN INVESTMENT

The Sultanate's emphasis on diversification has opened the country to foreign participation in the economy, particularly in the form of joint ventures. Oman is actively seeking private foreign investors, particularly in the industrial field. Those investors who allow technology transfer and provide employment and training for Omanis are particularly welcome. Omani law relating to foreign investment is contained in the Foreign Business Investment Law of 1974, as amended. A Commerce Ministry spin-off, the Omani Centre for Investment Promotion and Export Development (OCIPED), officially opened in early 1997 to help attract foreign investors and smooth the path for business formation and private sector project development. OCIPED also provides prospective foreign investors with information on government regulations, which are not always transparent and sometimes contradictory. Nevertheless, despite OCIPED's efforts to become a "one-stop shop" for government clearances, the approval process for establishing a business remains slow and subject to multiple government authorities, particularly with respect to land acquisition and labor requirements.

Registration of joint ventures with minority foreign ownership requires no governmental screening other than that common to all registrants. The foreign firm must supply documentary evidence of its registration in its home country, its actual headquarters location, capital, and principal activities. If a subsidiary, it must demonstrate its authority to enter into the joint venture. Registration of ventures with from 50 to 65% foreign ownership must seek the approval of the Ministry of Commerce and Industry (MC&I). Except in the petroleum sector, new entities with over 65% foreign ownership require Council of Ministers approval of a MC&I recommendation. In theory, these would be granted to major projects furthering national objectives laid down in the current five-year plan. In practice, discriminatory tax rates (after initial tax holidays) discourage majority foreign-held enterprise formation.

Currently, minority foreign owned joint ventures enjoy the national corporate tax rate of 12%, while majority foreign-owned joint ventures with Omani participation are subject to a maximum corporate tax rate of 25%. Wholly foreign-owned companies face a maximum tax rate of 50%. In early 1999, the government amended its corporate tax policy and lifted the requirement that minority foreign-owned joint ventures must include a publicly traded joint stock company listed on the Muscat Securities Market in order to enjoy national tax treatment. Since there is no complete body of regulations codifying Omani labor and tax laws and many government decisions are made on an ad hoc basis, investors should consider engaging local counsel.

There has been limited experience with the foreign investment screening mechanism. To date, it appears to be routine and non-discriminatory. Governmental policy is to grant investment licenses only to one project engaging in a specific advanced technology manufacturing process.

New majority foreign-owned entrants are barred from most professional services areas, such as the engineering, architectural, legal, or accounting fields. Existing foreign-owned professional service firms were, in 1996, given time frames in which they had to have Omani partners; e.g., five years for accounting firms. An exception exists for a professional services firm with a subspecialty needed by the country; it appears such a firm would not be allowed to compete with local firms. Wholly foreign-owned U.S. services firms present in Oman include Citibank, Ernst & Young, KPMG, and the law firm Curtiss, Mallett, Colt, Mosle and Prevost. Under Omani commercial law, wholly foreign-owned branches of foreign banks are still allowed to enter the market.

Foreign ownership is limited to 49% in privatization projects. The Privatization Decree 42/96 of June 8, 1996, requires that a firm receiving an award under the terms of the decree be 51% Omani-owned. The firm should be specifically created for the purposes of the award. The Government is not obligated to buy back any of the firm's output. However, it appears that the government will guarantee a minimum tariff, set maximum tariffs, and share in profits when such exceed 20% . By privatization, Oman refers not only to the conversion of a state-owned or mixed enterprise to a private sector firm, but also to the establishment of any new firm providing a commercial service that had previously been provided by the state, such as electricity. One approach to partial conversion, which may be applied to the state-owned telephone company, the General Telecommunications Organization (GTO), is that the firm sell off 40% of its stocks to the Omani public. No single person can purchase more than 10% of new issues.

Industrial establishments with a total capital of $52,000 or more must be licensed by the MC&I. In addition, a foreign firm interested in establishing a company in Oman must obtain approval from other ministries, such as the Ministry of Regional Municipalities and Environment. Foreign workers must obtain work permits and residency permits from the Ministry of Social Affairs and Labor and Royal Oman Police, Immigration Office.

Oman's investment incentives focus on industrial development and include the following:

- Five year, one-time renewable tax holiday
- Low interest loans from the Oman Development Bank (now available on a very limited basis for smaller firms only)
- Low interest loans from the Ministry of Commerce and Industry
- Subsidized plant facilities and utilities at the industrial estates
- Ministry of Commerce and Industry-supplied feasibility studies
- Exemption from customs duties on equipment and raw materials during the first ten years of a project
- Occasional imposition or increase of protective customs tariffs on similar imported goods

A. 2. CONVERSION AND TRANSFER POLICIES

Oman has no restrictions or reporting requirements on private capital movements into or out of the country. The Omani Rial is pegged to the dollar at a rate of $1 equals 0.3849 Omani Rials. The Rial was devalued in 1986 due to the collapse in oil prices. The government, however, did not judge the devaluation productive. The government scotched rumors of a devaluation in September 1998 with an authoritative statement from the Minister of National Economy, ruling out the possibility of a devaluation. There have been no reports of difficulty in obtaining foreign exchange.

A. 3. EXPROPRIATION AND COMPENSATION

The dollar value of U.S. investment in Oman is small but growing. To the knowledge of the U.S. Embassy, there have been no investment disputes involving American companies over the past several years. Oman's belief in a free market economy and desire for increased foreign investment and technology transfer make expropriation or nationalization extremely unlikely. Currently, Oman is moving towards a free market economy with its modest privatization program.

A. 4. DISPUTE SETTLEMENT

Oman is a party to the International Center for the Settlement of Investment Disputes (ICSID). The ultimate adjudicator of business disputes within Oman is the Commercial Court, which was reorganized in mid-1997 from the former Authority for Settlement of Commercial Disputes (ASCD). The Commercial Court has jurisdiction over most tax and labor cases. The Commercial Court can issue orders of enforcement of decisions (the ASCD was limited to issuing orders of recognition of decisions). The Commercial Court can accept cases against governmental bodies, which the ASCD was unable to do. In such cases, however, the Commercial Court can issue but not enforce rulings against the government. Many practical details remain to be clarified. General legal opinion believes the Court will not overturn international arbitration clauses written into contracts. However, the Sultanate is insisting that all foreign suppliers accept the Commercial Court as the site for arbitration.

The Chamber of Commerce and Industry has an arbitration committee to which parties to a dispute may refer their case for less formal and smaller matters. Minor disputes are also handled by local authorities such as walis, the district governors appointed by the central government. While Oman is a member of the GCC Arbitration Center, located in Bahrain, that center has yet to establish a track record.

Decisions of the Commercial Court are final if the value of the case does not exceed U.S. $26,000. A court of appeals exists for cases where the sum disputed is greater, but its decisions are final. There exists, however, the right of review after a judgment is issued in cases where new documents are discovered or irregularities (forgery, perjury) found. There is no provision for the publication of decisions.

Business representatives generally found that the former ASCD's use of general principles of equity in deciding cases not directly covered by Omani commercial law was fair. There have been complaints that powerful businessmen utilized their connections to secure an unfair advantage in ASCD rulings.

Oman also maintains other judicial bodies to adjudicate various disputes. The Labor Welfare Board under the Ministry of Social Affairs and Labor hears disputes regarding severance pay, wages, benefits, etc.; it is not clear which of these matters may now fall under the jurisdiction of the Commercial Court. The Real Estate Committee hears tenant-landlord disputes, the Police Committee deals essentially with traffic matters, and the Magistrate Court handles misdemeanors and criminal matters. Lastly, the Shari'a Court deals with family law, such as wills, divorces, personal and some criminal matters. All litigation and hearings must be conducted in Arabic.

A. 5. PERFORMANCE REQUIREMENTS/INCENTIVES

As of June 1999, Oman was not a WTO member and therefore not subject to WTO TRIMS notification obligations. Oman seeks to accede to the WTO before the end of 1999 and is still in the process of revising domestic laws in compliance with WTO obligations.

All enterprises operating in Oman are expected to comply with Omani laws. The law applies equally to all business representatives. Matters such as the replacement of expatriate workers with Omanis, the development of Oman's image as a quality producer, and protection of the environment all affect government regulations on firms. In principle, the Government recognizes the market is the most efficient business regulator, but tries to protect Omanis from market dislocations.

Under the Industry Organization and Encouragement Law of 1978, incentives are available to licensed industrial installations on the recommendation of the Industrial Development Committee. "Industrial installations" include not only those for the conversion of raw materials and semi-finished parts into manufactured products, but also mechanized assembly and packaging activities. Firms involved in agriculture and fishing are also included.

Companies must have at least 35% Omani ownership to qualify for these incentives. In addition, companies selling locally produced goods are given priority for Government purchases, provided the local products meet standard quality specifications and their prices do not exceed those of similar imported goods by more than 10% . This incentive is available to Omani-owned commercial enterprises, as well as foreign industrial producers in joint ventures with local concerns. The government offers subsidies to offset the cost of feasibility and similar studies if the proposed project is considered sufficiently important to the national economy.

Government policy favors maintaining the present level of incentives. Only in the most general sense of business plan objectives does proprietary information have to be provided to qualify for incentives.

A. 6. RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Foreign and domestic private entities have the right to establish and own business enterprises, although majority-foreign owned investments are barred in most service sectors and subject to government approval as described in section A. 1. Under Oman's foreign capital investment law, non-Omanis are not allowed to conduct any commercial, industrial, or tourism businesses or participate in an Omani company without a license issued by the Ministry of Commerce and Industry.

According to Oman's commercial companies law, all actions by private entities to establish, acquire, and dispose of interests in business enterprises must be announced in the commercial register, and could be subject to the approval of the ministry of commerce and industry. Subject to the licensing and taxation previously noted, foreign and domestic entities can engage in all legal forms of remunerative activity. Government entities do not compete with the private sector, and it is general public policy to privatize public utilities.

A. 7. PROTECTION OF PROPERTY RIGHTS

Mortgages exist. Real property rights are recognized and enforced, and records kept. There is no contemporary history of arbitrary seizures of land. With the exception of U.A.E. nationals, who are allowed to own property subject to government approval, foreign persons/firms may lease but not own real estate.

Oman has a trademark law. Trademarks must be registered and noted in the Official Gazette through the Ministry of Commerce and Industry. Local legal firms can assist companies in registration of trademarks. Oman enacted a copyright protection law in 1996, but did not announce enforcement mechanisms until a ministerial decree in April 1998, which extended protection to foreign copyrighted literary, technical, or scientific works; works of the graphic and plastic arts; and sound and video recordings. In order to receive protection, a foreign-copyrighted work must be registered with the Omani government by depositing a copy of the work with the government and paying a fee. Since January 1999, the government has enforced copyright protection for audio and video cassettes, and destroyed stocks of pirated cassettes seized from vendors. The government did not extend protection to foreign copyrighted software until late 1998, when it declared that retailers must halt the importation and sale of non-licensed software by July 1, 1999. According to U.S. industry estimates, pirated computer software accounts for 90% of the local software sales in Oman.

As of mid-1999, Oman was not fully TRIPS compliant, in particular with respect to protection of foreign patents and the local registration requirement for foreign copyrighted works. However, the Omani government has suggested that it will enact further legislation which will make Oman TRIPS-compliant before the end of 1999, in conjunction with its WTO accession effort. Oman has joined the World Intellectual Property Organization (WIPO), and asked WIPO to register Oman as a signatory to the Paris and Berne conventions on intellectual protection.

A. 8. TRANSPARENCY OF THE REGULATORY SYSTEM

The government recognizes that its regulatory environment hampers investment and commercial activity. In addition to the ownership, visa, and agency requirements already mentioned, general licensing of business activities can be time-consuming and complicated. The absence of a particular clearance will stall the entire process. For example, processing shipments in and out of the Mina Qaboos port can add significantly to the amount of time it takes to get goods to market or inputs to a project. Although OCIPED, at the time of its founding in 1997, was billed as a "one stop shop" for obtaining government approvals for investors, as of mid-1999, it had yet to secure the proper ministerial support in order to perform this function.

Key regulatory impediments to foreign investment are Oman's tax laws, which subject majority foreign-owned business to substantially higher tax rates than the nationals, and Oman's labor laws, which apply minimum quotas of Omani employees depending on the type of employment offered. The government's Omanization effort has been the subject of criticism among Omani private sector companies, who often complains that it harms productivity and has unduly restricted hiring and firing policies.

Excessive government red tape and slowness in official decision making is also a frequent complaint among the local private sector. Because decisions often require the approval of multiple ministries, such as the Ministry of Commerce and Industry, Ministry of Finance, Ministry of Legal Affairs, and Ministry of Social Affairs and Labor, the government decision making process can be tedious and non-transparent.

A.9. EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

As noted earlier, there are no restrictions in Oman on the flow of capital and the repatriation of profits. Access to Oman's limited commercial credit resources is open to Omani firms with some foreign participation. Joint stock companies with a capitalization of more than U.S. $360,000 must be publicly traded on the Muscat Securities Market, providing an alternative and apparently successful means to raise capital. Oman is encouraging, and tax law currently favors, private firms going public, and offering up to 49% equity to foreign investors.

The Sultanate has two loan programs to promote investment. The Ministry of Commerce and Industry runs one designed to promote industrial investment. Formerly interest free, the program now charges 4% interest, with long repayment terms. MC&I loans will match equity contributions in the Muscat capital area, or 1.25 times equity for other locations. Projects with a high percentage of local content or employing large numbers of Omanis are given priority, as are tourism projects outside the capital area. The Oman Development Bank also administers a loan program to support development of smaller loans to industry, agriculture, fisheries, petroleum, mining, and services. Various limits and terms are ascribed, depending on the type and size of the project.

Foreigners may invest directly in the Muscat Securities Market (MSM) as long as this is done through a local broker. Despite the 1998 downturn in the market, MSM statistics show that the percentage of foreign investors in the market has remained stable, and represented about 13 % of total investors as of early 1999.

Oman's banking sector is stable and reported excellent profits for 1998, thanks in large part to increased lending. The Central Bank has raised the capital adequacy requirements to 12%, which is 50% higher than the international standard. Oman is a somewhat over-banked market, with twenty licensed banks (foreign and domestic) in operation. The banking sector's non-performing loans are primarily consumer loans, which include loans used to purchase stock on margin. The Central Bank has ordered banks to limit consumer loans to 30% of their lending, although banks find strong consumer demand and inadequate corporate demand. Some banks have circumvented the consumer loan cap through increased issuance of credit cards, which are not officially considered consumer loans. The Central Bank has also mandated that banks maintain lending/deposit ratios of 87.5% by mid-1999, after postponing this decision from taking effect in December 1998. The Central Bank moved to limit endemic stock market speculation in 1997, particularly in the many new issues, by restraining bank loans taken to fund stock purchases to an amount matching the borrower's own funds going to share purchases.

Most major businessmen and senior government officials are well known to each other. These individuals are shareholders in a broad range of commercial ventures and serve as directors of various firms. This system is not intended to restrict foreign investment. In such a community of interwoven relationships, the concept of a hostile takeover is both unknown and unlikely.

A. 10. POLITICAL VIOLENCE

Politically-motivated violence is unknown in Oman. There is no political, economic or social issue likely to engender civil disturbances.

A. 11. CORRUPTION

Many ministers and senior government officials directly or indirectly mix their public and private business interests. Article 53 of the Basic Statute of the State, issued in November 1996, compelled ministers to resign their offices in public share holding enterprises. As of 1999, under secretaries (deputy ministers) were also expected to resign from the boards of any public share holding enterprise. Most major contracts are awarded through a rigorous, typically slow, but generally clean tender process. Contracts awarded through the tender process internal to a given ministry appear more susceptible to influence. Oman is not a signatory to the OECD convention on combating bribery. In the past, Sultan Qaboos has dismissed some ministers for egregious corruption.

SECTION B: BILATERAL INVESTMENT AGREEMENTS

Oman and the U.S. have discussed a Bilateral Investment Treaty in the context of U.S. and GCC meetings on trade and investment issues; however, as of 1999, however, this issue remains in the discussion stage only. Oman has investment treaties with 16 nations; the texts are not a matter of public record.

SECTION C: OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

Oman is eligible for Export-Import (EXIM) Bank of the United States financing and insurance cover. Oman has an agreement with the Overseas Private Investment Corporation. Both EXIM and OPIC have reached out to Omani firms to spread awareness of their programs.

SECTION D: LABOR

Oman relies heavily on expatriate labor, primarily from India, Bangladesh, Pakistan and Sri Lanka, to perform menial and physically taxing tasks as well as to fill managerial positions. Omani labor law stipulates basic practices to safeguard workers. Wages for Omanis are set by employers within guidelines delineated by the Ministry of Social Affairs and Labor. The minimum wage for Omanis working in the private sector, including salary and benefits, is 120 R.O. (about $312) per week. Work rules must be approved by the Ministry and posted conspicuously in the work place. The workweek is five days in the public sector and generally five and one-half days in the private sector. The labor law and subsequent regulations also detail requirements for occupational safety and access to medical treatment. Non-Omanis in retail, personal service outlets, construction, and in the petroleum fields typically work up to seven days a week, depending on their contract.

The replacement of expatriate labor by Omanis is a high priority for the government. Foreign nationals may not be employed as technical assistants, guards, light vehicle drivers, Arabic typists, agricultural workers, forklift or mixer operators, or public relations officers, unless the employer can show that there are no Omanis available for the positions. Only Omanis are permitted to work as taxi drivers, customs expediters, and fishermen. In 1999 and 1998, the government “Omanized” (i.e. banned expatriates from working) a number of low-wage jobs, including water tank truck drivers, gas cylinder truck drivers, real estate agents, and plow operators. Through concerted training efforts, the government has also sought to increase the number of Omanis employed in such professions as gasoline station attendants, waiters, barbers, and hairdressers, while allowing expatriates to remain employed in such positions.

In 1994, Oman became a member of the International Labor Organization (ILO).

SECTION E: FOREIGN TRADE ZONES/FREE PORTS

Oman has no general provisions for the temporary entry of goods. In the case of auto re-exports, a company can import vehicles into the country for the purpose of re-export and have duties refunded if it re-exports the vehicle in six months. There are no free trade zones, although the government is studying a proposed free zone in Salalah, adjacent to the international container transhipment port which opened there in November 1998. The government has also expressed its intention to establish a free zone at Sohar port, in conjunction with plans to expand the existing port and industrial zone. The government has set aside land along an interior border crossing point with Yemen by the name of al-Mazyounah for a free trade zone.

SECTIONS F AND G: FOREIGN DIRECT INVESTMENT STATISTICS AND MAJOR FOREIGN INVESTORS

No systematic information on foreign direct investment is available. The largest foreign investor is Royal Dutch Shell Oil, which holds 34% of the shares of Petroleum Development Oman, the state oil company, and 30% of Oman Liquid Natural Gas. Other companies, such as Occidental Petroleum, Japex, Amoco, and Elf Aquitaine, have also invested in the petroleum sector. In late 1996, ARCO, Phillips Petroleum, and Triton commenced exploration operations in concession areas relinquished by PDO. In addition two U.S. firms, Gorman Rupp (water pumps) and FMC (wellhead equipment), have entered into industrial joint ventures with Omani firms. Both joint ventures involve modest manufacturing operations.

VIII. TRADE AND PROJECT FINANCING

Oman's banking sector consists of 16 local and foreign commercial banks and four specialized banks. Most of the local banks have significant foreign shareholders closely involved in management, with many expatriates in senior positions. The banks are generally in good financial condition due largely to relatively close supervision by the Central Bank of Oman (CBO). The CBO raised the minimum capital requirements which forced several bank mergers. In mid-1998, a new mortgage lending institution, the Alliance Housing Bank, was formed following a highly oversubscribed public offering. Foreign banks particularly find onerous Central Bank requirements that banks maintain a 12 % level of capital adequacy and restrict consumer lending to 30% of the loan portfolio, as well as the higher taxation rates leveled on non-Omani firms. In mid-1997 the Central Bank dampened banking sector financing of stock speculations. The banks have led other sectors in meeting Omanization targets.

The foreign banks operating in Oman, in descending order of local branch asset size, are:

British Bank
Standard Chartered Bank
The British Bank
Bank of Baroda
Bank Saderat Iran
Bank Melli Iran
Banque Banorabe
National Bank of Abu Dhabi
Citibank

Specialized Banks:

Oman Housing Bank
Oman Development Bank
Oman Industrial Bank
Alliance Housing Bank

Representative offices are not permitted in Oman. No new foreign bank may open, except by purchase of a local bank.

The local banks, also in descending order of asset size, are:

National Bank of Oman
Oman International Bank
Bank Muscat
Commercial Bank of Oman
Oman Arab Bank
Bank Dhofar Al Omani Al Fransi

In addition to the commercial banks, the Oman Housing Bank, the Oman Development Bank (ODB), and the Oman Industrial Bank serve as specialized government banks to serve specific sectors. ODB absorbed a former agriculture and fisheries bank in 1997. ODB's Export Credit & Financing Unit provides export financing and credit insurance. ODB lending will not target small businesses. The privately owned Oman Industrial Bank offers soft loans for industrial projects. The Ministry of Commerce and Industry guarantees loans secured through commercial banks. MC&I will guarantee loans up to 125 % of the equity invested in projects outside of the Muscat capital area.

Several institutions engage in investment banking on behalf of the Omani government. Their activities range from investing and underwriting to advisory services and fund management for private investors. Among these is a bi-national profit-seeking entity of Oman and the Emirate of Abu Dhabi: the Oman-Emirates Investment Holding Corporation. There are also several non-bank financial companies which provide medium term asset financing to corporate customers mainly for leasing such as:

-Oman Investment & Finance Company, total capital R.O. 5 million (USD 13 million);
-Muscat Finance Company, total capital R.O. 3 million (USD 7.8 million); and,
-Oman Oryx Leasing Company, capital R.O. 2 million (USD 5.2 million).

In mid-1996, Ex-Im Bank agreed to finance a major expansion of the Raysut Cement Company, in cooperation with Bank Dhofar. EXIM and the Overseas Private Investment Corporation (OPIC) are providing risk cover for the downstream component of Oman Liquefied Natural Gas (OLNG), which reached financial close in November 1997. (Financing for upstream components was arranged with the private shareholders in PDO, principally Shell.). The OPIC-backed Inter-Arab Investment Fund, an offshoot of the MEPP, is active in Oman, and seeking to identify investment opportunities in the $3-$15 million range. There are additional possibilities for project financing from the World Bank, Arab development, and financial institutions and bilateral aid programs of other GCC members and some European and Japanese development organizations.

Multilateral Development Banks:

The International Bank for Reconstruction and Development (IBRD), a member of the World Bank group, makes long-term loans at market-related rates primarily to developing nations. The International Development Agency (IDA), the soft loan window of the World Bank, lends to the poorest of the development countries. Both the IBRD and IDA work to promote broadly based economic growth and frequently focuses on structural adjustment, sectoral reform, and individual project lending and operate under the same set of procurement guidelines. Typically the World Bank does not finance the entire cost of a project. Rather, it finances the components of a project purchased with foreign exchange, which on average is about 40 per cent of the total project cost. Each project may cover a wide variety of sectors and can involve anywhere from one to hundreds of separate contracts providing export business opportunities for suppliers worldwide.

CONTACTS:

U.S. Department of Commerce
Liaison to the U.S. Executive Directors Office
International Bank for Reconstruction and Development
1818 H. St., NW
Washington, D.C. 20433
Tel: (202) 458 0118
Fax: (202) 477 2967

Office of Multilateral Development Banks
U.S. Foreign Commercial Service
U.S. Department of Commerce
Room H 1107
Washington, D.C. 20230
Tel: (202) 482 3399
Fax: (202) 273 0927

IX. BUSINESS TRAVEL

In Oman, as in other countries of the Middle East, business transactions are characterized by the importance attached to personal relationships. Visits to Oman—generally more than one—by authorized corporate representatives and intermediaries are usually necessary for market penetration by foreign companies, even after local representation has been established.

Generally speaking, U.S. firms are latecomers to the Omani market and face stiff competition from other established foreign companies. Omanis seek U.S. products and investment partners, but typically say that they have difficulty attracting the interest of U.S. firms new to the Omani market. The U.A.E., as the largest transshipment point in the Gulf, has the biggest share of Oman's market. The Japanese have also captured a major share of the market, independent of transshipment through Dubai. The U.K. has long maintained close political and commercial relations with Oman, but the British share of the market is slowly dropping. U.S. products have become better known in recent years, and some inroads have been made. U.S. firms wishing to export to Oman must be prepared to satisfy Omani concerns regarding price, shipping schedules, availability of spare parts, and obvious American participation in the relationship. The Omani market is very price sensitive. Oman's electrical standard is 240V, 50Hz. As in the U.S., vehicles drive on the right side of the road.

In terms of business customs, while most leading businessmen are accustomed to Western business practices, some still operate along more traditional Arab lines. (Note: There have been a few prominent women civil servants, but only recently has there been an emergence of women business executives.) A visit to the office of an Omani businessman may involve some of the following elements. Appointments will sometimes not be made until after the foreign businessman arrives in Oman. Upon arriving for an appointment, he may discover that others have appointments at the same time or have arrived without one. However, a visitor should be on time, particularly for government appointments. Once the meeting begins, it may be interrupted by telephone calls. Coffee, tea, or soft drinks will probably be offered (except during the Muslim fasting month of Ramadan) and should be accepted. Politeness is highly valued; blunt statements should be recast into constructive, balanced terms. Visitors should also be sensitive to hosts who break off a discussion for prayer at noon and at sunset, which falls during business hours. Devout Muslims pray five times each day. In dealing with one of the many Omani executives educated in the U.K. or the United States, there is little other than the "dishdasha" national dress worn by the Omani that the visiting foreign business person will find different from home.

Business representatives who plan to visit Oman, should be aware that entry into the country is strictly controlled. All entrants must obtain permission to enter, in the form of a visa or "No Objection Certificate," in advance from the Omani authorities, except those who are not permanent residents in another EU State, for whom airport visas are available. Prospective visitors without such permission will either be prevented from boarding an aircraft bound for Oman or will be denied entry upon arrival at the airport and deported on the next available flight.

Visitors must obtain a visa in advance from an Omani embassy or consulate abroad, or arrange for an airport visa. Oman grants U.S. citizens two year, multiple entry visas, $64 for business visitors, $32 for tourists. The airport visa alternative is termed a "No Objection Certificate" (NOC). Local hotels will "sponsor" guests for NOC's. Anyone arriving without a visa is subject to deportation; however, expedited entry is available for U.S. citizens resident in other GCC nations. The U.S. Embassy in Muscat does not arrange visas or NOC's for visiting businessmen, but it can help find sponsors for NOC's. A multiple entry visa is strongly recommended; however, not all Omani diplomatic missions inform U.S. citizens of that option. Four original photos are required for the NOC; no photos are required for the passport application. Single women and young male tourists may find their tourist applications rejected.

Hotels are not permitted to pick up guests at the airport. Taxis are often not air conditioned. Local business firms acting as sponsors typically arrange to pick up visitors. Western visitors are unlikely to patronize the local, non-air conditioned bus or collective taxi system in Muscat. Outside of the capital area, public transport is rarely found off main highways.

The major hotels patronized by western business visitors and tourists in the Muscat area are as follows: the Hyatt (a five-star beach front property, opened in May 1998, close to the U.S. Embassy, and with luxurious rooms and excellent restaurants), the Al Bustan Palace Hotel (five star, on the beach, a "must see" site), Muscat Intercontinental (convenient to most ministries and on the beach); Sheraton (overlooking the central business district, with complete business center facilities); Muscat Holiday Inn (particularly convenient to the Ministries and growing Al Khuwair business area); Crown Plaza Hotel (possessing an seafront locaation and a variety of good restaurants); the Seeb (airport) and Ruwi Novotels, and the renovated Mercure-Al Falaj in Ruwi. In Salalah, the Holiday Inn is favored by foreign visitors as the only hotel with a liquor license; other hotels include the Hamdan and the Haffa House. By August 1999, a Hilton Hotel is expected to open in Salalah, in close proximity to Port Salalah.

As of the time of drafting this Guide, there are no travel advisories in effect for Oman.

Local holidays for 1999 include: January 20-22 (Eid Al Fitr); March 27-30 (Eid Al Adha); April 18 (Islamic New Year); June 26 (Birth of the Prophet); November 6 (Ascension Day); and November 18-19 (National Day. These dates are approximations. Muslim religious holidays are determined by locally observed phases of the moon. The actual date and duration of the National Day holiday is announced shortly before the holiday is to take place, and is usually about a week after the actual National Day.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel. (202) 512-1800; fax (202) 512-2250. Business travelers to Oman seeking appointment with U.S. Embassy Muscat officials should contact the Commercial Section in advance.

For appointments or for further information on commercial matters, please contact the American Embassy's Economic/Commercial Section. The U.S. mailing address is:

Embassy Muscat
Unit 73000, Box 51
APO AE 09890-3000

The international mailing address is: U.S. Embassy, Commercial Office, P.O. Box 202, P.C. 115, Madinat Al-Sultan Qaboos, Sultanate of Oman; for courier services insisting on a street address, use: Embassy Street, Al-Khuwair North. Tel: (968) 698-989; Fax: (968) 604-316. The E-mail address is: aemcteco@gto.net.om

The official language of Oman is Arabic. English is widely spoken as a business language; Swahili, Farsi, Urdu, Baluchi, and Hindi and other languages of south Asia are common. Oman has three national Arabic dailies. Its two English papers are published daily. Radio Sultanate of Oman's FM English service broadcasts 15 hours daily in Muscat, Salalah, and Thumrait. Except for governmental offices, most commercial building signs and road signs are in Arabic and English. Certain business documents, such as company registration papers, must be in Arabic. There have been moves to require that all correspondence with the Omani government be in Arabic; as of mid-1999 this was not enforced across the board, though putting documents in Arabic will assist in speeding processing.

Oman has a modern infrastructure. Modern roads provide access to most of the country. The General Telecommunications Organization (GTO) operates a modern and efficient telephone system. Virtually all businesses have fax machines. GSM phones are widely used; roaming arrangements already cover the GCC, the UK., and other European countries. International telephone access cards cannot be used in Oman, nor can collect calls be made or received. International rates are very high -- $1.30 per minute peak rate to Europe and the Western Hemisphere. Since early 1997, GTO has provided the region's most economical Internet service. CompuServe access remains available via a British Telephone/MCI connection.

Food and water is generally quite good, particularly at the major hotels. Oman inspects restaurants to maintain hygienic standards. The use of bottled water is recommended, particularly in the summer months. Health care in Oman is adequate and there are a number of Western or Western-educated health care providers in the Muscat area. Virtually all physicians are English-speakers, with Indian nationals predominating. Placement for foreign medical personnel is very competitive.

APPENDICES

APPENDIX A: COUNTRY DATA

1. Profile

According to 1998 population estimates, Oman's total population is 2.3 million, with up to 603,000 expatriates, mostly of South Asian origin. The government estimate of the population growth rate is 2.5% per year. Virtually all Omanis are Muslim. Sixty percent are believed to be adherents of the Ibadhi school, the others are Sunni with a small number of Shi'a in the country as well. Shi'a are particularly prominent in commerce in the capital area. Those expatriates who are not Muslim have Orthodox and ROman Catholic, generic Protestant, and Hindu places of worship.

The Government, led by Sultan Qaboos bin Sa'id, consists of the Council of Ministers, the elected Majlis Al-Shura (consultative council) and various specialized councils and the ministries. The Council of Ministers is the highest executive authority, deriving its power from the Sultan. The Sultanate also has a number of committees, primarily drawn from the Ministers and Advisors to the Sultan, which are particularly important in shaping economic and commercial policy. The policy making process is normally opaque. Televised proceedings of the Majlis Al-Shura members questioning ministers provided a unique opportunity for Omanis to view public discussions of policy, but these were discontinued in May 1999. Over 50,000 Omanis voted in the fall 1997 Majlis Al-Shura elections. The Sultan has the final determination in membership selection. Besides seeking the broadest representation of tribes, the Sultan is known to favor increased female participation in the government and society in general. The Sultan appointed the "Majlis al-Dowla" upper chamber late in 1997. The country is divided into 59 Wilayats (districts), most under the jurisdiction of the Ministry of the Interior.

An appointed Wali (governor) heads each Wilayat. The Majlis Al-Shura contains members representing each Wilayat. Economic and social development is carried out through five-year plans; the current, fifth plan runs from 1996 through 2000. International treaties, agreements and charters approved by the Sultan become law from the date of their publication in the Official Gazette (in Arabic only). The Sultanate of Oman is a member of the United Nations, Gulf Cooperation Council, the Arab League, the Organization of the Islamic Conference and many other regional and international bodies. In 1994-1995, Oman served on the United Nations Security Council.

The official language of Oman is Arabic, although Swahili, Farsi, Urdu, Baluchi, and various Indian languages are quite common. English is the accepted language of business and is widely spoken in commercial and Government circles. All street and commercial signs are in Arabic and English. The government recently introduced educational reforms to begin English instruction at an early age in public schools.

As Oman is an Islamic country, visiting businessmen should not expect to schedule appointments or transact business on Friday, the official day of rest. Government offices and the American Embassy are closed on Thursdays and Fridays. The Omani governmental work day is continuous from 7:30 a.m. to 2:30 p.m. Banks and some post offices have limited hours on Thursday mornings. Most major private firms are closed on Fridays. Local time is four hours ahead of GMT, nine hours ahead of Eastern Standard Time (EST), eight hours ahead of Eastern Daylight Savings Time.

APPENDIX B: DOMESTIC ECONOMY

The following figures are from the Omani Ministry of National Economy and the Central Bank of Oman. Estimates of U.S. exports are higher than similar figures from the U.S. Department of Commerce, possibly because of re-exports of U.S. goods not counted in the U.S. figures. 1998 figures are provisional only. Negative values are in parentheses.

	1996	1997	1998
GDP at Purchasers' $ billions	15.2	15.8	14.1
GDP Growth Rate	10.7	2.9	(10.2)
GDP per capita ($)	6,486	6,848	6,163
Government spending as percentage of GDP	38	38	38
Inflation	0.9	less than 1%	(0.5)
Unemployment	N/A	N/A	N/A
Foreign Exchange Reserves (USD Billions)	2.0	2.1	2.0
USD 1.00/R.O.	0.385	0.385	0.385
Debt Service Ratio	11	N/A	N/A
U.S. Economic/ Military Assistance (USD Million)	0.11	0.15	0.15

APPENDIX C: TRADE
(IN USD MILLIONS)

	1996	1997	1998 (est.)
Total Exports	7,338	7,628	5,500
Total Imports	4,573	5,189	5,674
U.S. Exports	215.3	403.3	399.1
U.S. Imports from Oman	447.4	260.9	230.4
U.S. Share of Omani Imports (Percent)	7.55	8.0	7.0

The top five non-petroleum exports and imports between Oman and the United States in 1998 were as follows, in millions of U.S. dollars:

U.S. Exports to Oman

H.S. Section	Product Description	Value
16	Machinery, Mechanical Appliances, Electrical Equipment, and Parts Thereof	202.0
17	Transport Equipment (Vehicles, Aircraft, and Vessels	59.5
04	Prepared Foodstuffs, Beverages, and Tobacco	31.4
06	Chemical Products	21.6
21	Works of Art, Collector's Pieces and Antiques	18.7

Omani Non-Oil Exports to the U.S.

11	Textiles & Textile Articles	77.2
16	Machinery, Mechanical Appliances, Electrical	6.5
17	Transport Equipment (Vehicles, Aircraft, and	1.0
06	Chemical Products	0.8
21	Works of Art, Collector's Pieces and Antiques	0.5

Source: Foreign Trade Statistics 1998, Royal Oman Police

APPENDIX D: INVESTMENT STATISTICS

The Sultanate is not known to publish estimates of in-bound and out-bound investment. Foreign direct investment is concentrated in the oil and gas sectors.

APPENDIX E: U.S. AND COUNTRY CONTACTS

American Business Council of Oman (ABCO)
P.O. Box 121 - Barqa.
Postal Code: 320
Sultanate of Oman
Phone: (968) 597-730 Fax : (968) 597-730
President: William Ali Mills
Office Director: Cynthia Albano
(Office is closed in July and August.)

Major trade-related Omani government agencies, with the commercial organs and then Ministries listed first (in alphabetical order) followed by petroleum-sector mixed enterprises:

Oman Centre for Investment Promotion and Export Development
Salim bin Nasser Al-Ismaili, Executive President
P.O. Box 25 - Wadi al-Kabir
Postal Code: 117
Sultanate of Oman
Phone: (968) 771-2344; Fax: 771-0890
email: ociped.com

Oman Chamber of Commerce and Industry
Sheikh Salim bin Hilal Al-Khalili, President
P.O. Box 1400 Ruwi
Postal Code 112
Sultanate of Oman
TEL: (968) 707-674/84/94, FAX: (968) 708-497
(The O.C.C.I. is the only authorized commercial/industrial association and reports to the Minister of Commerce and Industry. It has branches in Salalah, Nizwa, Ibri, Buraimi, and Sur. It can be very helpful to foreign businesspersons seeking contact with Omani firms. Its Arabic and English bi-monthly Al Ghorfa (The Chamber) reaches all Omani firms.

Ministry of Commerce and Industry
P.O. Box 550 Muscat
Postal Code 113
Sultanate of Oman
TEL: (968) 774-240, FAX (968) 794-239/771-7239

Ministry of Communications (i.e., Transportation)
P.O. Box 684 Muscat
Postal Code 113
Sultanate of Oman
TEL: (968) 702-233, FAX (968) 701-409/795-266

Ministry of Defense
P.O. Box 113 - Muscat
Postal Code 113
Sultanate of Oman
TEL: (968) 312-605, FAX: (968) 702-521

Ministry of Electricity and Water
P.O. Box 1491 - Ruwi
Postal Code 112
Sultanate of Oman

TEL: (968) 603-800/603-906, FAX: (968) 699-180/699-185

Ministry of National Economy
and Ministry of Finance
P.O. Box 506 - Muscat
Postal Code 113
Sultanate of Oman
TEL: (968) 738-201 thru 210/739-764 thru -772, FAX: (968)
737-068
(Note: The former Ministry of Development and Economy split to form the two ministries above, which still share the common P.O. box and telephone numbers. The Minister of National Economy currently serves as the Supervisor of Finance and heads both the Financial Affairs and National Resources Council and the Vocational Training Authority.)

Ministry of Health
P.O. Box 393 - Muscat
Postal Code 113
Sultanate of Oman
TEL: (968) 602-177, FAX: (968) 602-162

Ministry of Oil and Gas
P.O. Box 551 - Muscat
Postal Code 113
Sultanate of Oman
TEL: (968) 603-333/341/563, FAX: (968) 696-972

Ministry of Posts, Telegraphs and Telephones
P.O. Box 338 - Ruwi
Postal Code 112
Sultanate of Oman
TEL: (968) 697-888, 698-931; FAX: (968) 696-817, 696-670
(Note: The General Telecommunications Organization (GTO) reports to this ministry.)

Ministry of Regional Municipalities and Environment
P.O. Box 461 - Muscat
Postal Code 113
Sultanate of Oman
TEL: (968) 692-550, FAX: (968) 693-995

Ministry of Water Resources
P.O. Box 2575 - Ruwi
Postal Code 112
Sultanate of Oman
TEL: (968) 703-552/3 FAX: (968) 799-953, 762-291, 708-570

Central Bank of Oman
P.O. Box 1161 - Ruwi
Postal Code 112
Sultanate of Oman
TEL: (968) 702-222, FAX: (968) 707-913, 702-253

Public Establishment for Industrial Estates
P.O. Box 2 - Rusayl
Postal Code 124
Sultanate of Oman
TEL: (968) 626-080/626-094, FAX (968) 626-053
(The Public Establishment promotes industrial development by making available industrial park settings for light industrial purposes, complete with utilities and, if desired, plant shells.)

Muscat Securities Market
P.O. Box 3265 - Ruwi
Postal Code 112
Sultanate of Oman
TEL: (968) 771-2607, FAX: (968) 771-2609

Oman LNG LLC
PO Box 560
Postal Code 116
Sultanate of Oman
TEL: (968) 707-807, FAX: 707-656.

Oman Refinery Co. (LLC)
PO Box 3568 - Ruwi
Postal Code 112
Sultanate of Oman
TEL: (968) 561-200, FAX (968) 561-384

Petroleum Development Oman LLC
P.O. Box 81 - Muscat
Postal Code 113
Sultanate of Oman
TEL: (968) 678-111, FAX: (968) 677-106

GOVERNMENTAL DEVELOPMENT BANKS:

Oman Development Bank
P.O. Box 309 - Muscat
Postal Code 113
Sultanate of Oman
General Manager, Murtada M. Fadhil
TEL: (968) 738-021 thru 4, FAX: (968) 738-026

Oman Housing Bank
P.O. Box 2555 - Ruwi
Postal Code 112
Sultanate of Oman
Acting Gen. Manager, Mahmud Muhammad bin Umar Bahram
TEL: (968) 704-444, FAX: (968) 704-071

COUNTRY COMMERCIAL BANKS (NATIONAL STATUS):

Bank Dhofar Al Omani Al Fransi (SAOG)
P.O. Box 1507 - Ruwi
Postal Code 112
Sultanate of Oman
General Manager, Ahmed Ali al-Shanfari
TEL: (968) 790-466/8, Fax: (968) 797-246

Bank Muscat

P.O. Box 134 - Ruwi
Postal Code 112
Sultanate of Oman
Chief Executive Officer, Abdulrazzaq Ali Issa
TEL: (968) 703-044, FAX: (968) 793-536

Commercial Bank of Oman (SAOG)
P.O. Box 1696 - Ruwi
Postal Code 112
Sultanate of Oman
Chief Executive Officer, Steve Pinto
Phone: 701-528, 701-532 FAX: (968) 705-607

National Bank of Oman (SAOG)
P.O. Box 751 - Ruwi
Postal Code 112
Sultanate of Oman
General Manager, Aubyn R. Hill
TEL: (968) 708-894; FAX: (968) 704-522/707-781

Oman Arab Bank
P.O. Box 2010 - Ruwi
Postal Code 112
Sultanate of Oman
Managing Director, Abd al-Kader Askalan
TEL: (968) 700-161 thru 3, FAX: (968) 797-736
(Majority control rests with the same Jordanian parent as the Arab Bank of New York.)

Oman International Bank (SAOG)
P.O. Box 1727 - CPO Seeb
Postal Code 111
Sultanate of Oman
Chief Executive, James T.M. McNie
TEL: (968) 682-500, FAX (968) 682-800

COUNTRY BANKS (FOREIGN):

Bank Melli Iran
P.O. Box 2643 - Ruwi
Postal Code 112
Sultanate of Oman
General Manager, Ail Jaffari Lafti
TEL: (968) 708-125/701-579, FAX (968) 793-017

Bank of Baroda
P.O. Box 231 - Mutrah
Postal Code 114
Sultanate of Oman
Chief Manager, N. Ramani
TEL: (968) 714-549/714-559, FAX: (968) 714-560

Bank Saderat Iran
P.O. Box 1269 - Ruwi
Postal Code 112
Sultanate of Oman
Manager, Seyed Mohammed Sefidari
TEL: (968) 793-923/787-189, FAX: (968) 796-478

Banque Banorabe
P.O. Box 1608 - Ruwi
Postal Code 112
Sultanate of Oman
Manager, Peter Carvalho
TEL: (968) 704-274/703-850, FAX: (968) 707-782

British Bank (HSBC Group)
P.O. Box 240 - Ruwi
Postal Code 112
Sultanate of Oman
Chief Executive Officer, Richard Inglis
TEL: (968) 799-920/700-020, FAX: (968) 704-241
(U.S. HSBC affiliate is the Marine Midland Bank, New York)

Citibank N.A.
P.O. Box 1994 - Mutrah
Postal Code 114
Sultanate of Oman
Country Corporate Officer, Ravi Bhatia
TEL: (968) 795-705, FAX: (968) 795-724

Habib Bank Ltd.
P.O. Box 1326 - Ruwi
Postal Code 112
Sultanate of Oman
Senior VP & General Manager, Waiz-ur Rehman
TEL: (968) 705-276/795-282, FAX: (968) 795-283

National Bank of Abu Dhabi
P.O. Box 303 - Muscat
Postal Code 113
Sultanate of Oman

Manager, Saeed S. Al-Mubarak
TEL: (968) 798-842, FAX: (968) 794-386

Standard Chartered Bank
P.O. Box 2353 - Ruwi
Postal Code 112
Sultanate of Oman
Manager, Murtadha M. Ali
TEL: (968) 703-999, FAX: (968) 796-864

U.S. EMBASSY TRADE PERSONNEL

Economic/Commercial Section
P.O. Box 202, P.C. 115
Madinat al-Sultan Qaboos
Sultanate of Oman
Economic/Commercial Officer: Uzra S. Zeya
Commercial Assistant: V.S. Chandran
TEL: (968) 699-094, or 698-989, x463 FAX: (968) 604-316, 694-355
E-mail: aemcteco@gto.net.om

Office of Military Cooperation
P.O. Box 202, P.C. 115
Madinat Al-Sultan Qaboos
Sultanate of Oman
Col. Michael Boyce
TEL: (968) 698-989, FAX: (968) 604-327

APPENDIX F: MARKET RESEARCH AND CORPORATE CREDIT REPORTS:

MEMRB International Research & Consultancy Group
P.O. Box 436 - Al Harthy Complex
Postal Code 118
Sultanate of Oman
TEL: (968) 590-479, FAX: 590-478.

APPENDIX G: TRADE EVENT SCHEDULE

The following trade fairs -- most held annually -- are scheduled for 1999-2000:

Sept. 1-7, 1999	Consumex (Silver Star Corp. LLC.)
Sept. 14-19, 1999	Gulf Oil & Gas Show (Trifoil LLC.)
Sept. 27-Oct. 3, 1999	Autumn Trade Fair (Oman Int'l. Trade & Exhibitions)
Oct. 13-16, 1999	Motor Show (Omanexpo LLC.)
Oct. 25-29, 1999	5th Muscat Int'l. Fair (Oman Int'l. Trade & Exhibitions)
Dec. 1-7, 1999	Gifts & Accessories Fair (Omanexpo LLC.)
April 11-13, 2000	Oil & Gas West Asia Exhibition (Oman Expo LLC)

The following firms are the major organizers of trade fairs:

-- Oman Expo LLC., P.O. Box 20 - Wadi Kabir, Postal Code: 117, Sultanate of Oman; TEL: (968) 706-274; TELEX: 3380 OMANEXPO ON; FAX: (968) 706-276; Mr. C.J. Paul, General Manager

-- Oman International Trade and Exhibitions, P.O. Box 1475 - Ruwi, Postal Code: 112, Sultanate of Oman; TEL: (968) 564-268/564-303; TELEX: 5494 OITEL ON; FAX: (968) 565-165; E-mail:103662-1374@compuserve.com; Mohamed Ali Al-Habaj, General Manager.

-- Silver Star Corporation LLC, P.O. Box 2707 - Ruwi, Postal Code: 112, Sultanate of Oman; TEL: (968) 790-695/787-318; FAX: (968) 700-528; P.D. Nath, Managing Director.

For further information on commercial matters, please contact the American Embassy' Commercial Section. The U.S. mailing address is: U.S. Department of State – Muscat, Commercial Office, Washington, D.C. 20520-6220. The international mailing address is U.S. Embassy, Commercial Section, P.O. Box 202 - Madinat Al-Sultan Qaboos, Postal Code: 115, Sultanate of Oman; TEL: (968) 698-989; FAX: (968) 604-316; E-mail: aemcteco@gto.net.om.